



**Federal Trade Commission  
and  
Department of Justice Hearing  
on Hospital Market  
Competition**

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& Gateway Purchasers for Health



# St. Louis Area Business Health Coalition

- 501c(6) non-profit association founded in 1986.
- Mission is to create a competitive health care environment in which the financial incentives are aligned toward improvements in cost, quality, and access.
- Incorporates Gateway Purchasers for Health
- Represents 40 employers in the St. Louis Bi-State area.



# St. Louis Hospital Market

## ***Then (1994)***

- *30+ independent hospitals*

## ***Now (2003)***

- *4 systems + 4 independents*
  - *Market Share = 34%*
  - *Market Share = 13%*
  - *Market Share = 12%*
  - *Market Share = 11%*
- *One system seen as a “must have” by many*



# St. Louis Change in Corporate Climate

## *Then (1994)*

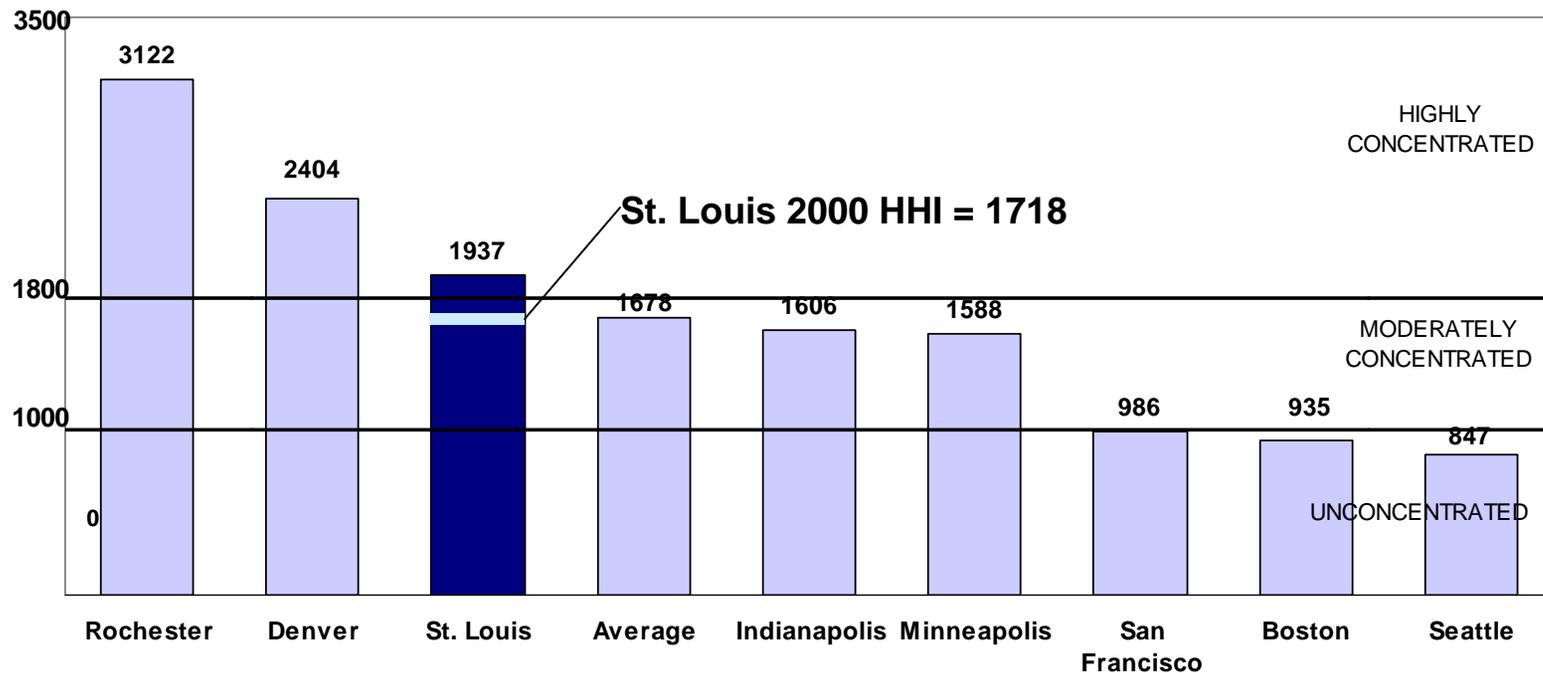
- *Ranked 3rd for Fortune 500 corporate headquarters*

## *Now (2003)*

- *Health Care is a major industry*
  - *MO's largest employer is a health care system— others close behind*
  - *2001 8.3% of MO's employment was in health care as compared to 3.4% national average (Kaiser Family Foundation)*
- *Ranked 12th or above for Fortune 500 corporate headquarters*

# Herfindahl - Hirschman Index (HHI) By Metropolitan Area 1997

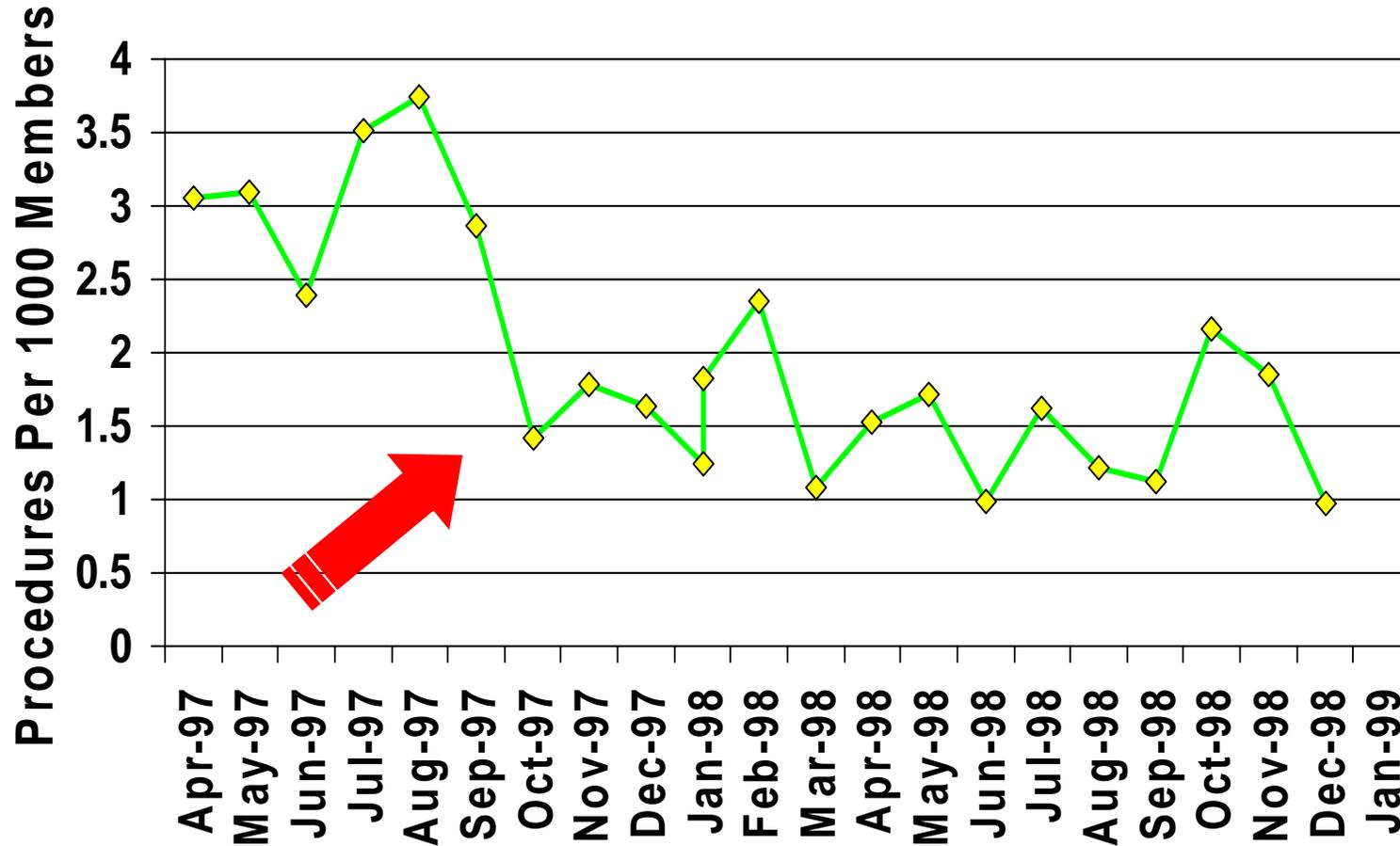
(not including affiliates)



HHIs were calculated using discharges as the measure of market share. Discharges were obtained from Medicare cost reports and additional sources. The hospital system configurations reflect the information available in 1999.

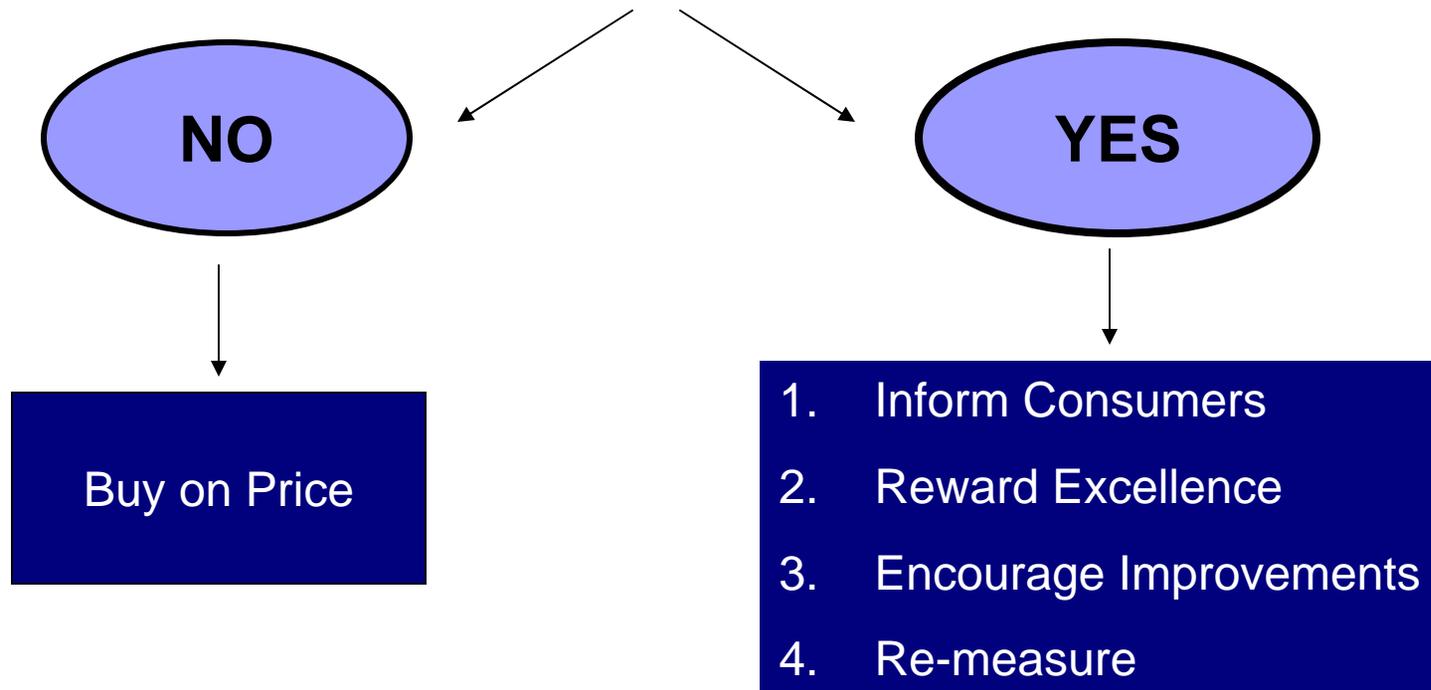
Source: St. Louis Health Care Eight City Regional Comparison, Volume II, 1999, St. Louis Area Business Health Coalition.

# Commercial *Rate of Surgery X* by a St. Louis Provider Group

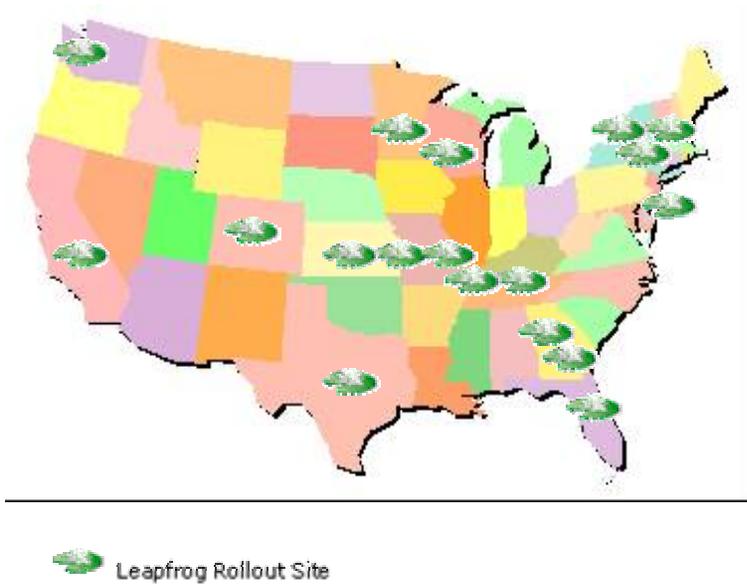


# What Employers Want to Know About Hospital Quality

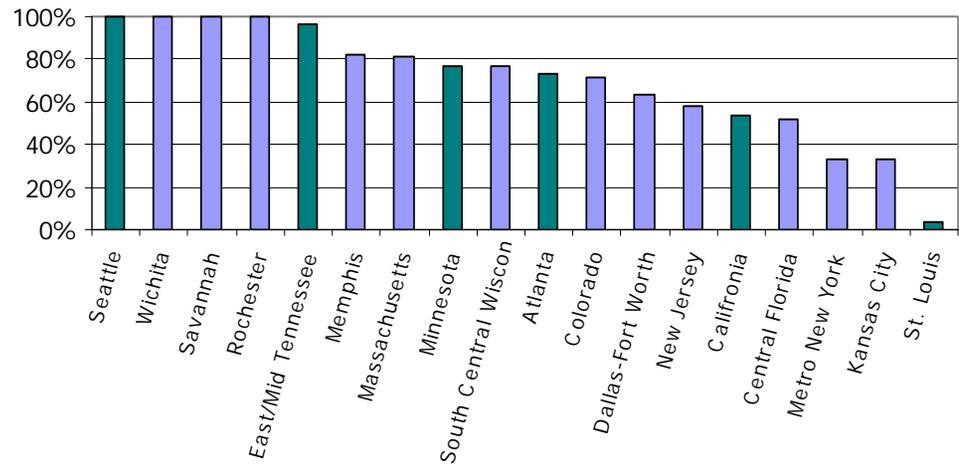
Are there differences in the safety and quality of health care outcomes across providers?



# Employers Requested That St. Louis Hospitals Report on Leapfrog Safety Standards



Percentage of Hospitals Responding to Leapfrog Survey (as of January 2003)



1<sup>st</sup> Wave  
 2<sup>nd</sup> Wave



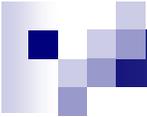
# Why are hospitals hesitant to report to Leapfrog?

- Appear to object more to public reporting than the actual safety measures. Many St. Louis hospitals meet:
  - the ICU staffing standard,
  - the volume thresholds, and
  - several are implementing CPOE.
- Volume of surgical procedures performed falls short of the Leapfrog threshold. This appears to be problematic for hospital systems with both high and low volume facilities.
- Version 2.0 addresses many of the hospital concerns. Will hospitals report?



# What type of quality information is provided by hospitals?

- Quality awards, grants, or other recognition received
  - SSM Health Care received national distinction as the first health care organization to receive the Malcolm Baldrige National Quality Award.
- Hospital-specific clinical initiatives
- Information to counter Leapfrog
- Narrative description of processes in place to ensure quality and attest to organization's commitment to quality
- Ask your health care provider...



# What information do employers want that is not available?

- Comparative outcome, performance, or process information based on commonly defined standards of care or measures.
- Comparable patient satisfaction results
- Hospital discharge dataset
- Risk-adjusted cost and other comparisons that inform consumer decisions (e.g., variable co-pay products).

## Applaud Efforts to Standardize Measures:

- Leapfrog
- NQF
- JCAHO
- CMS
- AHRQ
- Specialty Societies
- AHA



# Informed Purchasing Data Collaborative

***Vision:*** *A community where comparative cost and quality data on health care treatments and providers is freely available and used by consumers, employers, health plans, and providers in making health care, health benefit, and provider compensation decisions.*

## ***Project Goals:***

- ❑ Identify predominant health needs and corresponding opportunities for improvements in care;
- ❑ Establish a relationship between treatment cost and illness severity;
- ❑ Inform participants about the value of data disclosure and transparency of health care information for employers, consumers, and the community; and
- ❑ Inform employers of provider variation and the opportunities for quality improvements and to reform provider payments.



# What is the Urgency?

- PMPM medical cost nearly doubled between 1996 – 2002  
...economic conditions will not sustain continued increases.
- Little evidence exists that increased spending corresponds with quality improvements... rather strong evidence suggests that people are being harmed unnecessarily.
- Consumers are paying significantly more, and a larger portion of cost at the time of service. Consumers demand more input on how “their” money is spent.
- Without transparency there is no business case for hospitals or physicians to make investments that improve the overall value of their services or to compete on the basis of their own merit.



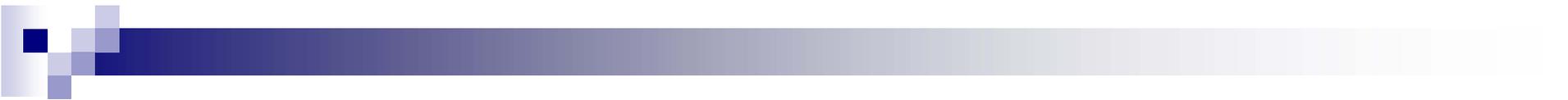
# Consumer Information Tools Used by STL Plans and Employers

- Leapfrog Information (as available)
- Report on Surgical Volumes by Hospital (MO DOH)
- On-Line Hospital Decision Support Tools
  - Multi-sourced information with comparative results from Medicare and, in 22 states, commercial discharge datasets
  - Some health plans have added charge data to websites
- Graphic Surgery
- On-line Pharmaceutical Decision Support Tools
- Other Tools



## What are the (Perceived) Risk to Hospitals in Disclosure?

- Concern that profit entrepreneurs carve out the higher margin business leaving an uneven playing field or comparison.
- Concern that comparisons fail to recognize their unique attributes or contributions.
- Liability exposure
- Measurement cost and changing standards
- Loss of proprietary advantage
- May not look as good as they would like



# Conclusion

- Health care is an essential good operating in an imperfect market ... DOJ/FTC attention is encouraging!
  - Establish information standards and other indicators that should be present in balanced market
  - Publish HHIs and assessments of market functioning for major metropolitan areas
- Efforts to define, refine and adopt standardized measures must proceed with great haste.
- Innovation is needed to identify communication tools, plan designs and other means to effectively communicate provider comparisons to consumers
- Need standard methods to adjust cost data to reflect “community good” services (charity care, trauma care, medical education)
- Opportunity abounds for collaboration within communities... shared responsibilities.